031490
Q-35839

12/17
JQ2-22600
APR 14 1992

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended February 29, 1992
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number 0-18759

BEST COPY AVAILABLE

MOORCO INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**51-0277200** (I.R.S. Employer Identification No.)
Suite 5701 **2800 Post Oak Boulevard** **Houston, Texas** (Address of principal executive offices)	**77056** (Zip Code)

PROCESSED BY
APR 15 1992 12/12:P
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(713) 993-0999
(Registrant's telephone number, including area code)

2700 Post Oak Blvd., Suite 2400, Houston, Texas 77056
(Former name, address and formal fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____

As of March 31, 1992, the number of shares of Common Stock outstanding was 12,133,975, excluding 66,351 treasury shares.

MOORCO INTERNATIONAL INC.

REPORT ON FORM 10-Q FOR THE QUARTER ENDED FEBRUARY 29, 1992

TABLE OF CONTENTS

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements:	
	Consolidated Statements of Income	1
	Consolidated Balance Sheets	2
	Consolidated Statements of Cash Flows	3
	Notes to Consolidated Financial Statements	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	6
PART II. OTHER INFORMATION		
Item 6.	Exhibits and Reports on Form 8-K	9
Signatures		10

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MOORCO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	February 29, 1992 (Unaudited)	February 28, 1991 (Unaudited)	February 29, 1992 (Unaudited)	February 28, 1991 (Audited)
Sales	$55,172	$40,534	$151,028	$121,344
Cost of goods sold	39,058	29,149	106,703	87,016
Gross profit	16,114	11,385	44,325	34,328
Selling, general and administrative expenses	9,591	7,143	26,785	21,818
Operating income	6,523	4,242	17,540	12,510
Interest expense, net	121	1,062	569	3,572
Other (income) expense, net	36	(1)	(1,134)	(1,657)
Income before income taxes	6,366	3,181	18,105	10,595
Income taxes	2,411	1,146	6,899	3,943
Net income	$ 3,955	$ 2,035	$ 11,206	$ 6,652
Net income attributable to common stockholders	$ 3,955	$ 2,014	$ 11,204	$ 6,592
Earnings per common and common equivalent share	$ .32	$ .20	$ .92	$ .67
Weighted average number of common and common equivalent shares outstanding	12,241	9,852	12,225	9,852
Cash dividends per share	$ .05	$ --	$ .10	$ --

The accompanying notes are an integral part of these statements.

MOORCO INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

ASSETS	February 29, 1992 (Unaudited)	May 31, 1991 (Audited)
Current assets:		
Cash	$ 5,152	$ 1,653
Receivables (less allowances of $1,439 and $1,166)	34,439	30,514
Inventories	33,059	33,867
Prepaid expenses	1,641	1,649
Total current assets	74,291	67,683
Property, plant and equipment, net	42,699	39,063
Other assets:		
Investments in unconsolidated affiliates	1,197	1,434
Goodwill	2,988	2,890
Other assets	4,011	5,470
Total assets	$125,186	$116,540
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term bank loans	$ --	$ 3,682
Current maturities of long-term debt	598	6,114
Accounts payable	11,639	13,084
Accrued liabilities	17,585	14,699
Income taxes payable	3,816	1,784
Total current liabilities	33,638	39,363
Long-term debt, less current maturities	2,594	25,374
Deferred income taxes	2,769	2,880
Other liabilities	4,268	5,272
Total liabilities	43,269	72,869
Commitments and contingencies		
Redeemable preferred stock:		
$9.50 Cumulative Convertible Preferred Stock, Series B, $100 par value, 150,000 shares authorized, none outstanding at February 29, 1992 and 150,000 shares outstanding at May 31, 1991, stated at liquidation preference	--	26,015
Stockholders' equity:		
Preferred Stock:		
$100 par value, 80,000 shares authorized, none outstanding	--	--
$1 par value, 5,000,000 shares authorized, none outstanding	--	--
Common Stock, $.01 par value, 50,000,000 shares authorized, 12,199,085, and 6,392,149 shares issued, respectively	122	64
Paid-in capital	58,643	4,951
Retained earnings	24,196	14,204
Cumulative translation adjustment	(168)	(621)
Unamortized pension costs	(409)	(409)
Unamortized restricted stock awards	(178)	(264)
Treasury stock, 66,351 common shares, at cost	(289)	(289)
Total stockholders' equity	81,917	17,636
Total liabilities and stockholders' equity	$125,186	$116,540

The accompanying notes are an integral part of these statements.

MOORCO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended	
	February 29, 1992 (Unaudited)	February 28, 1991 (Audited)
Cash flows from operating activities:		
Net income	$11,206	$ 6,652
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,808	5,235
(Gain) Loss on sale of assets	51	(151)
Decrease in deferred income taxes	(111)	(302)
Undistributed earnings of unconsolidated affiliates	2	(6)
Changes in operating assets and liabilities:		
Increase in receivables	(3,390)	(1,554)
(Increase) Decrease in inventories	1,517	(672)
(Increase) Decrease in prepaid expenses	44	(301)
Increase (Decrease) in accounts payable and accrued liabilities	1,108	(191)
Increase in income taxes payable	1,964	1,319
Change in other assets and liabilities, net	(823)	(2,562)
Net cash provided by operating activities	17,376	7,467
Cash flows from investing activities:		
Capital expenditures	(8,197)	(2,421)
Proceeds from sale of assets	6	959
Net cash used in investing activities	(8,191)	(1,462)
Cash flows from financing activities:		
Repayment of senior and subordinated debt	(25,350)	(3,900)
Principal payments under capital lease obligations	(589)	(168)
Additions to other long-term debt	37	24
Repayments of other long-term debt	(2,742)	(3,070)
Net increase (decrease) in short-term debt	(3,580)	1,319
Dividend on common stock	(1,212)	-
Proceeds from initial public offering	26,364	-
Proceeds from exercise of warrants	2,232	-
Redemption of redeemable preferred stock	(985)	-
Proceeds from exercise of stock options	122	10
Net cash used in financing activities	(5,703)	(5,785)
Effect of exchange rate changes on cash	17	12
Net increase in cash	3,499	232
Cash at beginning of period	1,653	1,436
Cash at end of period	$ 5,152	$ 1,668

The accompanying notes are an integral part of these statements.

1. Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows of Moorco International Inc. and its wholly-owned subsidiaries (the "Company") for all periods presented. The consolidated balance sheet as of May 31, 1991, was derived from the audited consolidated balance sheet included in the Company's 1991 annual report on Form 10-K. The consolidated statements of income and cash flows for the nine months ended February 28, 1991, were derived from the audited consolidated statements of income and cash flows included in the Company's registration statement on Form S-1. All other financial statements presented are unaudited. The results of operations for the three months and nine months ended February 29, 1992, are not necessarily indicative of the results that may be expected for the full fiscal year.

These statements have been prepared in accordance with the requirements for interim financial statements contained in Regulation S-X, which do not require all the information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. Therefore, these statements should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's annual report on Form 10-K for the fiscal year ended May 31, 1991.

2. Initial Public Offering

On June 11, 1991, the Company completed its initial public offering by selling 2,175,128 shares of Common Stock at a price of $14.25 per share ($13.27 per share after underwriting discounts and commissions). In connection with the offering, the Series B preferred stockholders converted 144,330 shares of Series B Preferred Stock into 2,405,499 shares of Common Stock. The Company redeemed the remaining 5,670 shares of Series B Preferred Stock at a redemption price of $985,000 ($173.77 per share, including $73.77 per share in accrued dividends). The Company received net proceeds, after expenses, of $26,364,000 from the offering and $2,232,000 from the exercise of outstanding warrants to purchase 1,200,000 shares of Common Stock at $1.86 per share. The Company utilized the net proceeds to prepay its subordinated debt and senior term loan, and repay the senior revolving loan and short-term foreign bank loans.

3. Earnings Per Share

Earnings per common and common equivalent share is calculated by dividing net income available to common stockholders by the weighted average common and common equivalent shares outstanding during the period which includes, for the three months and nine months ended February 28, 1991, 2,405,499 shares of Common Stock issued upon conversion of 144,330 shares of Series B Preferred Stock, as discussed in Note 2. Net income available to common stockholders is calculated by deducting from net income the dividend requirements for the 5,670 shares of Series B Preferred Stock redeemed upon completion of the initial public offering. Such amounts were $21,000 for the three months ended February 28, 1991, and $2,000 and $60,000 for the nine months ended February 29, 1992 and February 28, 1991, respectively. Common stock equivalents include stock options and warrants to purchase Common Stock. There is no significant difference between earnings per share on a primary or fully diluted basis.

4. Inventories

Inventories are summarized below (in thousands):

	February 29, 1992	May 31, 1991
Raw materials	$ 9,139	$ 8,519
Work-in-process	11,883	12,766
Finished goods	12,037	12,582
	$ 33,059	$ 33,867

5. Supplemental Cash Flow Information

The following information is provided to supplement the Consolidated Statements of Cash Flows (in thousands):

	Nine Months Ended	
	February 29, 1992	February 28, 1991
Cash paid during the period for:		
Interest	$ 1,254	$ 4,316
Income taxes	4,826	2,772

6. Industry Segments

Sales and operating income by industry segment are set forth in the following table (in thousands):

	Three Months Ended		Nine Months Ended	
	February 29, 1992	February 28, 1991	February 29, 1992	February 28, 1991
Sales:				
Metering equipment	$33,494	$ 24,176	$ 89,735	$ 73,604
Pressure relief equipment	21,678	16,358	61,293	47,740
	$55,172	$ 40,534	$151,028	$121,344
Operating income:				
Metering equipment	$ 4,911	$ 3,155	$ 13,220	$ 9,863
Pressure relief equipment	2,974	1,352	7,822	4,310
Corporate expenses	(1,362)	(265)	(3,502)	(1,663)
	$ 6,523	$ 4,242	$ 17,540	$ 12,510

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with Management's Discussion and Analysis included in the Company's latest annual report on Form 10-K.

Results of Operations

The table below sets forth certain information relating to the operations of the Company expressed as a percentage of sales:

	Three Months Ended		Nine Months Ended	
	February 29, 1992	February 28, 1991	February 29, 1992	February 28, 1991
Sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	70.8	71.9	70.7	71.7
Gross profit	29.2	28.1	29.3	28.3
Selling, general and administrative expenses	17.4	17.6	17.7	18.0
Operating income	11.8	10.5	11.6	10.3
Interest expense, net	.2	2.7	.4	2.9
Other (income) expense, net	.1	-	(.8)	(1.3)
Income before income taxes	11.5	7.8	12.0	8.7
Income taxes	4.3	2.8	4.6	3.2
Net income	7.2%	5.0%	7.4%	5.5%

The Company's operations improved during the quarter and nine months ended February 29, 1992, as both Smith Meter Inc. ("Smith Meter") and Crosby Valve & Gage Company ("Crosby Valve") continued to benefit from an increase in the worldwide demand for their products due to the growth and expansion of their markets. The Company believes that this market expansion results from several factors including the modernization and expansion of the worldwide petroleum and chemical industry infrastructure, emerging markets in Eastern Europe, compliance with environmental legislation and construction and upgrading of electric power generation plants. The Company's backlog of unfilled orders was $64.8 million at February 29, 1992, a slight decrease from the level at February 28, 1991 as a result of shipments under major contracts.

Quarter Ended February 29, 1992 Compared to Quarter Ended February 28, 1991

Consolidated sales were $55.2 million, an increase of $14.6 million, or 36%, from the third quarter of fiscal 1991. The Company estimates that price increases contributed approximately $2.0 million to the sales increase while unfavorable foreign currency translation rates reduced sales by approximately $700,000. Smith Meter's sales increased $9.3 million, or 39%, due to the expansion of the markets for Smith Meter's products in Eastern Europe; increased expenditures by United States companies related to compliance with environmental legislation; and infrastructure upgrade and expansion in oil producing countries. Crosby Valve's sales were up $5.3 million, or 33%, due to strong demand from the worldwide power generation industry and increased sales into the international industrial process markets resulting from the modernization and expansion of the chemical and petroleum industry infrastructure in the Middle East and Far East.

Consolidated gross profit increased $4.7 million as a result of higher sales and a 1.1% increase in the gross margin percentage. Smith Meter's gross margin percentage declined by .8% as the result of lower margins on systems contracts shipped in the current quarter. Crosby Valve's gross margin percentage increased 4.0% due to higher volume, a favorable mix of high margin valve shipments to the electric power generation industry, and increased productivity. Selling, general and administrative expenses increased $2.4 million due to increased marketing and administrative costs resulting from a higher level of business activity. However, selling, general and administrative expenses as a percentage of sales declined by .2%. As the result of the foregoing, operating income increased $2.3 million, or 54%.

Net interest expense declined by $941,000 because the Company repaid substantially all of its debt in June 1991 with the proceeds from the initial public offering. Income before income taxes increased $3.2 million, or 100%.

Income tax expense increased $1.3 million due to higher pretax earnings and a 1.9% increase in the effective income tax rate. The effective tax rate increased due to higher state and foreign income taxes. Net income increased $1.9 million, or 94%. Earnings per common and common equivalent share were $.32, an increase of $.12, or 60%, from the $.20 reported in the same quarter last year. The increase in earnings per share takes into account a 24% increase in the average common shares outstanding as the result of the Company's initial public offering in June 1991.

Nine Months Ended February 29, 1992 Compared to Nine Months Ended February 28, 1991

Consolidated sales were $151.0 million, an increase of $29.7 million, or 24%, from the first nine months of fiscal 1991. The Company estimates that price increases contributed approximately $6 million to the sales increase while unfavorable foreign currency translation rates reduced sales by approximately $3.5 million. Smith Meter's sales increased $16.1 million, or 22%, primarily due to the expansion of the markets for Smith Meter's products in Eastern Europe; increased expenditures by United States companies related to compliance with environmental legislation; and infrastructure upgrade and expansion in oil producing countries. Crosby Valve's sales were up $13.6 million, or 28%, due to strong demand from the worldwide power generation industry and increased sales into the international industrial process markets resulting from the modernization and expansion of the chemical and petroleum industry infrastructure in the Middle East, Far East and Latin America.

Consolidated gross profit increased $10.0 million as a result of higher sales and a 1.0% improvement in the gross margin percentage. Smith Meter's gross margin percentage increased .6% due to higher volume and a more favorable sales mix. Crosby Valve's gross margin percentage improved by 1.8% as the result of increased sales of higher margin valves and parts to the electric power generation industry, higher sales volume and increased manufacturing productivity. Selling, general and administrative expenses increased $5.0 million due to increased marketing and administrative costs resulting from a higher level of business activity. However, selling, general and administrative expenses as a percentage of sales declined by .3%. As a result of the foregoing, operating income increased $5.0 million, or 40%.

Net interest expense declined by $3.0 million because the Company repaid substantially all of its debt in June 1991 with the proceeds from the initial public offering. Other income decreased by $523,000 due to a $1.0 million decrease in foreign currency transaction gains and a $250,000 decrease in earnings from unconsolidated affiliates, offset by a $744,000 gain recognized when an option to sell certain real estate expired. As a result of the foregoing, income before income taxes increased $7.5 million, or 71%.

Income tax expense increased $3.0 million due to higher pretax earnings and a .9% increase in the effective income tax rate. The effective tax rate increased due to higher state and foreign income taxes. Net income increased $4.6 million, or 68%. Earnings per common and common equivalent share were $.92, an increase of $.25, or 37%, from the $.67 reported in the first nine months of fiscal 1991.

Financial Condition, Capital Resources and Liquidity

On June 11, 1991, the Company completed its initial public offering by selling 2,175,128 shares of Common Stock at a price of $14.25 per share ($13.27 per share after underwriting discounts and commissions). In connection with the offering, the Series B preferred stockholders converted 144,330 shares of Series B Preferred Stock into 2,405,499 shares of Common Stock. The Company redeemed the remaining 5,670 shares of Series B Preferred Stock at a redemption price of $985,000 ($173.77 per share, including $73.77 per share in accrued dividends). The Company received net proceeds, after expenses, of $26,364,000 from the offering and $2,232,000 from the exercise of outstanding warrants to purchase 1,200,000 shares of Common Stock at $1.86 per share. The Company utilized the net proceeds to prepay its subordinated debt and senior term loan, and repay the senior revolving loan and short-term foreign bank loans.

At February 29, 1992, working capital was $40.7 million, an increase of $12.3 million from May 31, 1991, and the ratio of current assets to current liabilities was 2.2 to 1. Total debt of $3.2 million at February 29, 1992 decreased $32.0 million from the balance at May 31, 1991. The Company was able to repay most of its debt with the proceeds from the initial public offering and with cash flow generated from operating activities. At February 29, 1992, the ratio of long-term debt to total capitalization was .03 to 1 and the ratio of total debt to total capitalization plus short-term debt was .04 to 1. At February 29, 1992, the Company had $11.1 million available for additional borrowings under its domestic credit facility and $6.8 million available under its short-term foreign credit facilities.

During the nine months ended February 29, 1992 and February 28, 1991, the Company made capital expenditures of $8.2 million and $2.4 million, respectively. The Company's capital expenditure budget for fiscal 1992 is $13.4 million and approximately $2.9 million was committed at February 29, 1992. The fiscal 1992 capital budget includes approximately $3.0 million for expansion of Smith Meter's Ellerbek, Germany plant and approximately $1.5 million for the consolidation and expansion of Crosby Valve's service and repair facility in Aberdeen, Scotland. Also included are various capital expenditures related to the expansion of the Company's cell manufacturing capability and other manufacturing productivity enhancements. The Company anticipates that its operating cash flows and available lines of credit will be adequate to fund planned capital expenditures and working capital requirements.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

None

B. Reports on Form 8-K

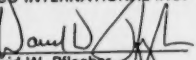
The Company filed no reports on Form 8-K during the quarter ended February 29, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOORCO INTERNATIONAL INC.

Date: April 13, 1992

By: 

David W. Pfleghar
Vice President and Controller
(Principal Financial and Accounting Officer)